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(25)

No. 05-1056

IN THE

Supreme Court of the United States

MICROSOFT CORPORATION,
Petitioner,

v.

AT&T CORP.,
Respondent.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY

JUDITH M. SAFFER, PRESIDENT
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION
241 18th Street, South
Suite 700
Arlington, Virginia 22202
(703) 415-0780

JOSEPH R. RE
Counsel of Record
IRFAN A. LATEEF
KNOBBE, MARTENS, OLSON & BEAR, LLP
2040 Main Street, 14th Floor
Irvine, California 92614-3641
(949) 760-0404

Counsel for Amicus Curiae

Lawyers Brief Service • Appellate Brief Printers • (213) 613-1013 • (949) 720-1510

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AMICUS CURIAE BRIEF OF THE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

This brief is submitted by the American Intellectual Property Law Association ("AIPLA") as amicus curiae in support of neither party to urge the Court to decide that (1) software can be a "component" of a patented invention within the meaning of 35 U.S.C. § 271(f) and (2) the reproduction of software in a foreign country is not "supplying" that software from the United States under 35 U.S.C. § 271(f).

STATEMENT OF INTEREST[1]

The AIPLA has no interest in either party to this litigation and has no stake in the outcome of this case, other than its interest in seeking a correct and consistent interpretation of the patent laws.

AIPLA is a voluntary bar association of over 17,000 members who daily work with patents, trademarks, copyrights, trade secrets, and the legal issues that intellectual property presents. AIPLA's members include attorneys in private and corporate practice and in government service. Through their diverse representation, AIPLA brings a broad perspective and extensive experience to the important issues raised in this case. Because of the diverse interests of AIPLA members and their clients, this Court's decision with

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[1] Consents to file this brief from the counsel of record for all parties are on file with the Clerk of the Court pursuant to Supreme Court Rule 37.3(a). This brief was not authored, in whole or in part, by counsel to a party, and no monetary contribution to the preparation or submission of this brief was made by any person or entity other than AIPLA or its counsel.

regard to the interpretation of section 271(f) may materially impact some of AIPLA's members or their clients.

BACKGROUND

AT&T asserts that computers loaded with Microsoft software infringe – under 35 U.S.C. § 271(f) – claims of United States Reissue Patent No. 32,580 ("the '580 patent"). Section 271(f)(1) states:

> Whoever without authority ***supplies or causes to be supplied*** in or from the United States all or a substantial portion of the ***components of a patented invention***, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

35 U.S.C. § 271(f)(1) (emphasis added). The '580 patent includes claims to an apparatus capable of encoding, compressing, and replaying recorded speech. Such claims cover an apparatus or medium loaded with software that performs certain processes.

AT&T alleges that Microsoft is liable under section 271(f) because it exports, via a master disk or an electronic transmission, a single copy of software from the United States intending to replicate it and install the copies on computers abroad. AT&T argues that this exported software is a "component[] of a patented invention" that is "supplied in or from the United States . . . in such manner as to actively induce the combination" of the software with another

component (i.e. a computer) such that the combination would infringe the claims of the '580 patent if it were made in the United States. *See* 35 U.S.C. § 271(f). Microsoft concedes that it infringes the '580 patent when it creates the combination in the United States. However, Microsoft argues that it is not liable under section 271(f) because (1) its exported software code is not a "component[] of a patented invention" and (2) the software copies made abroad are not "supplied in or from the United States."

This Court's interpretation of 35 U.S.C. § 271(f) will resolve this dispute.

SUMMARY OF ARGUMENT

This Court has granted certiorari as to two questions: (1) whether digital software code may be considered a "component[] of a patented invention" within the meaning of section 271(f)(1); and, if so, (2) whether copies of such a component (i.e. software code) made in a foreign country are "supplie[d] ... from the United States" within the meaning of section 271(f)(1).

This Court should affirm the Federal Circuit's interpretation of section 271(f), in accordance with the plain meaning of its text, that software can be a "component[] of a patented invention." The plain language of the statute applies to any part of any patented invention. Although the legislative history shows Congress' intent to impose liability for the supply of parts of a patented machine for foreign assembly, the clear language used in the statute shows a congressional intent to enact a statute with a much broader effect that applies to any patented technology.

However, this Court should reverse the Federal Circuit's expansive interpretation of the phrase "supplies or causes to be supplied in or from the United States" as improperly disregarding the plain language of the statute. This Court should hold that copies of software, made in a foreign country, are not "supplie[d] ... from the United States."

The ordinary meaning of "supply" does not encompass copying. The legislative history supports the ordinary meaning because it focuses on prohibiting foreign ***assembly*** of components and does not indicate that Congress intended section 271(f) to cover acts such as manufacturing or copying that occur on foreign soil. The Federal Circuit erred by ignoring the ordinary meaning of the statute. Instead, the Federal Circuit extended the scope of the statute beyond its text to reflect its view of the way software is generally supplied. In so doing, the Federal Circuit improperly stepped into the role of legislator and rewrote the statutory text to account for the ease of copying software and its desire to effectuate its view of the congressional purpose of the statute.

ARGUMENT

I. SOFTWARE CAN BE A "COMPONENT[] OF A PATENTED INVENTION" WITHIN THE MEANING OF SECTION 271(F)

The Federal Circuit correctly held that software can be a "component[] of a patented invention" and properly rejected Microsoft's arguments that software should be categorically excluded from the scope of section 271(f)(1). Under the only interpretation consistent with the text of the statute, software can be a "component[] of a patented invention."

A. The text of the statute mandates an interpretation of "component[] of a patented invention" that includes software

Courts give words of a statute "their ordinary, contemporary, common meaning, absent an indication that Congress intended them to bear some different import." *Williams v. Taylor*, 529 U.S. 420, 431 (2000) (quotations and citations omitted). Because the statutory language is plain here, "the sole function of the courts – at least where the disposition is not absurd – is to enforce it according to its terms." *Arlington Cent. Sch. Dist. Bd. of Educ. v. Murphy*, __ U.S. ___, 126 S. Ct. 2455, 2459 (2006) (quoting *Hartford Underwriters Ins. Co. v. Union Planters Bank, N. A.*, 530 U.S. 1, 6 (2000)).

To resolve the parties' dispute, this Court needs to interpret the statutory terms "components" and "patented invention." Because the statute does not define these unambiguous terms, each should be given its ordinary meaning in an analysis that begins and ends with the text of section 271(f).

Section 271(f)(1) uses the word "components" three times: "components of a patented invention"; "where such components are uncombined in whole or in part"; and

"actively induce the combination of such components."[2] The statute's usage of "components" suggests a broad meaning because the term does not appear with limiting or modifying words. In addition, the context shows that a "component" is something combinable with other things to form a patented invention, which broadly applies to any technology.

This Court also uses dictionaries to determine the ordinary meaning of words in a statute. *E.g.*, *Williams v. Taylor*, 529 U.S. 420, 431 (2000); *Walters v. Metro. Educ. Enters.*, 519 U.S. 202, 207-08 (1997). Dictionaries define "component" as "part of a mechanical or electrical complex" *American Heritage Dictionary* 302 (2d coll. ed. 1991), "discrete part of a larger system or structure" or "individual modular software routine that has been compiled and dynamically linked, and is ready to use with other components or programs" *Microsoft Computer Dictionary* 116 (5th ed. 2002), and "a constituent part; element; ingredient" *The Random House Dictionary of the English Language* 419 (2d ed. 1987). The dictionary meanings therefore indicate that a component is a part or constituent of some larger item.

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[2] Section 271(f)(2) uses the term "component" three times in a context nearly identical to that in Section 271(f)(1):

> Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

Moreover, the statute's use of the term "component" in sections 271(c) and 271(g) is consistent with that meaning. Section 271(c) states that one may contributorily infringe a patent by selling a "component" that "constitute[es] a material *part* of the invention." 35 U.S.C. § 271(c) (emphasis added). Section 271(g)(2) states that one will not be liable for, *inter alia*, importing certain products if the product "becomes a trivial and nonessential *component* of another product." 35 U.S.C. § 271(g)(2) (emphasis added). Both of these provisions use "component" in a manner consistent with its dictionary definition.

In short, the text of section 271(f), the text of other parts of section 271, and dictionaries all indicate that a "component" is a part of some larger item. The statutory text does not suggest the term "components" has a technological limitation.

Nor is there any technological limitation implied in the phrase "patented invention," which the statute identifies as the intended result of combining the supplied components. Under 35 U.S.C. § 101, the term "invention" includes "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof."[3] It cannot reasonably be disputed that the result of

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[3] The definitional section, 35 U.S.C. § 100, defines "invention" as "invention or discovery."

the foreign combination in this case is a patented invention, given Microsoft's concession of domestic infringement.[4]

Under such an interpretation, software can be a "component[] of a patented invention." Courts have long held that software can be part of a patented invention. *E.g.*, *Diamond v. Diehr*, 450 U.S. 175, 187 (1981). For example, in *In re Alappat*, the Federal Circuit stated: "[A] computer operating pursuant to software may represent patentable subject matter, provided, of course, that the claimed subject matter meets all of the other requirements of Title 35." 33 F.3d 1526, 1545 (Fed. Cir. 1994). There is no dispute that one can load software onto a computer, thereby giving that computer a new ability to perform new and useful processes. Quite clearly, then, the software is a "component" or a "part" of the patented invention.[5]

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[4] The general infringement statute prohibits the unauthorized making, using, selling, offering to sell, or importing of "any patented invention" during the term of the patent. 35 U.S.C. § 271(a). In addition, the use of "patented invention" in this general infringement section suggests that the term has a broad meaning. This is especially so when one looks at the subsections that use more specific terms like "patented machine, manufacture, combination or composition", 35 U.S.C. § 271(c); "patented product", 35 U.S.C. § 271(d)(5); or "process patented", 35 U.S.C. § 271(g).

[5] The components at issue need not be patentable individually; they just must be a part of something that is patentable. For example, in *Deepsouth*, neither component was itself patentable – only the combination was. *See Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 521 (1972).

B. Neither the legislative history, nor any reasonable patent policy compels an interpretation of section 271(f) that excludes software

Where the statutory text is unambiguous, this Court need not consider the legislative history or other extrinsic evidence.[6] But even if this Court finds it necessary to look beyond the statutory text, it will find no congressional intent to limit the application of section 271(f) to mechanical inventions.

In *Deepsouth Packing Co. v. Laitram Corp.*, this Court held that United States patent law did not prohibit a company from exporting unpatented parts, even where the company instructed the buyer to assemble the parts into a machine that, if so assembled in the United States, would infringe a United States patent. 406 U.S. 518, 526-32 (1972). Congress enacted section 271(f) in response to this Court's holding in *Deepsouth*. For example, the legislative history states that section 271(f):

> prevents copiers from avoiding U.S. patents by supplying components of a patented product in this country so that the assembly of the components may be completed abroad. This proposal responds to the United States Supreme

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[6] As this Court has "repeatedly held, the authoritative statement is the statutory text, not the legislative history or any other extrinsic material. Extrinsic materials have a role in statutory interpretation only to the extent they shed a reliable light on the enacting Legislature's understanding of otherwise *ambiguous* terms." *Exxon Mobil Corp. v. Allapattah Servs.*, 545 U.S. 546, 125 S. Ct. 2611, 2626 (2005) (emphasis added).

> Court decision in [Deepsouth], concerning the need for a legislative solution to close a loophole in patent law.

Patent Law Amendments Act of 1984, 1984 U.S.C.C.A.N. 5827, 5828. The legislative history also indicates that the President of the United States had a similar view of the statute, stating that section 271(f) closed a loophole and imposed liability even where "final assembly of patent [sic] machines . . . occur[ed] offshore." President's Message to Congress, Signing of Patent Law Amendments Act of 1984, 20 Weekly Comp. Pres. Doc. 45 (Nov. 9, 1984).

The legislative history thus indicates a Congressional intent to close the "loophole" exposed by the *Deepsouth* decision. Congressional intent to close that "loophole" is consistent with an interpretation of section 271(f) that prevents any offshore combination of components in a manner that would infringe a United States patent if done in this country. Nothing in the legislative history indicates that the statute is to be construed narrowly and limited to the facts of that decision.

More importantly, the statutory text completely contradicts such an interpretation. The drafters of section 271(f) employed the broad language "component[] of a patented invention" instead of narrower language, such as "patented product" or "patented machine." Thus, while Congress focused on reversing the result in *Deepsouth*, Congress passed a statute having a much broader effect. This Court has "stated time and again that courts must presume that a legislature says in a statute what it means and means in a statute what it says there." *Arlington*, 126 S. Ct.

at 2459 (quoting *Connecticut Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992)).[7]

A holding that software can be a component of a patented invention within the meaning of section 271(f) will not impose liability on those exporting mere information or instructions. As the Federal Circuit correctly held in *Pelligrini v. Analog Devices, Inc.*, instructions or information are not a component of a patented invention. 375 F.3d 1113, 1118 (Fed. Cir. 2004), *cert. denied*, 543 U.S. 1003 (2004). This decision makes perfect sense, as such instructions or oversight never become a "part" of the patented invention. Rather, such materials merely aid one in making a product. Therefore, even under a broad interpretation of section 271(f), exportation of design information and the like cannot give rise to direct liability.

II. SOFTWARE THAT IS COPIED IN A FOREIGN COUNTRY IS NOT "SUPPLIE[D] ... FROM THE UNITED STATES" WITHIN THE MEANING OF SECTION 271(F)

The Federal Circuit incorrectly held that Microsoft "supplies" innumerable copies of software from the United States by its exportation of a "master disk" of software or its electronic transmission of a copy of software to a foreign

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[7] An interpretation that does not specifically exclude software from the scope of the statute furthers sound patent policy. As one example, pursuant to United States and international law, patent laws apply equally to all technologies. *Eolas Techs., Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1339 (Fed. Cir. 2005) (citing TRIPS Agreement, Part II, Section 5 (1994) ("Patents shall be available and patent rights enjoyable without discrimination as to . . . the field of technology.")). There is no principled reason for a specific exclusion of software from the ambit of section 271(f).

country. Properly interpreted, section 271(f) does not prohibit the foreign copying of software because such copying does not entail "supplying" in or from the United States.[8]

A. The ordinary meaning of "supplies" does not include copying

The statute does not define the pertinent language, so this Court should give the text its ordinary meaning. *Williams*, 529 U.S. at 431. The dictionary defines "supply" as "to furnish or provide." *Random House Unabridged Dictionary* 1912 (2d ed. 1993); *see also The American Heritage College Dictionary* 1364 (3d ed. 1993) (defining "supply" as "[t]o make available for use; provide" and "[t]o furnish or equip with"). The ordinary meaning of "supplies" or "supplied" is therefore the act of furnishing or providing an article.

Moreover, the statutory text identifies two discrete elements: (1) supply of components from the United States; and (2) active inducement to combine into the patented invention. Thus, section 271(f) imposes liability upon one who "***supplies or causes to be supplied in or from the United States*** all or a substantial portion of the ***components*** of a patented invention . . . in such manner as to actively induce the combination of ***such components*** outside of the United States." 35 U.S.C. § 271(f)(1) (emphasis added).

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[8] Although foreign-made copies of a supplied component trigger no liability, the export of the master disk itself, together with installation (combination) of that software on a single computer, could trigger liability. In such a case, foreign-made copies might be relevant to damages for such a violation. However, AIPLA takes no position on whether such damages would be appropriate here given the current state of the record.

This language suggests that liability will attach only where the supplier made or acquired components in the United States and then exported them with the intention that they be combined into a patented invention.

The Federal Circuit expressly recognized this fact in *Pelligrini*: "[section] 271(f) is clear on its face. It applies only where components of a patent[ed] invention are physically present in the United States and then either sold or exported." *Pelligrini*, 375 F.3d at 1117. Given its plain or "clear" meaning, the statutory text therefore does not prohibit foreign manufacture of components or foreign copying of a component.[9]

The legislative history supports this interpretation. As stated earlier, Congress enacted section 271(f) to correct the defect in United States patent law that permitted the exportation of parts of a patented machine for assembly into a patented machine abroad. *Deepsouth*, 406 U.S. at 527-29; *see also* Patent Law Amendments Act of 1984, 1984 U.S.C.C.A.N. at 5828. According to the Senate Report, Congress intended section 271(f) to prevent the situation where "components are ***supplied for assembly*** abroad to circumvent a patent." S. Rep. No. 663, 98th Cong., 2d Sess. 3 (1984) (emphasis added). The legislative history focused on prohibition of sending components to a foreign country with the intent that they be "assembled" there; nowhere does

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[9] As stated succinctly by the dissenting Judge in the decision below: "As a matter of logic, one cannot supply one hundred components of a patented invention without first making one hundred copies of the component, regardless of whether the components supplied are physical parts or intangible software. Thus copying and supplying are different acts, and one act of 'supplying' cannot give rise to liability for multiple acts of copying." *AT&T Corp. v. Microsoft Corp.*, 414 F.3d 1366, 1373 (Fed. Cir. 2005) (Rader, J. dissenting).

it suggest section 271(f) applies to foreign manufacture or copying of parts of a patented invention.

B. The presumption against extraterritorial application of United States law compels a narrow interpretation of section 271(f)

The legal presumption that United States laws do not apply to extraterritorial acts compels a narrow interpretation of "supplies or causes to be supplied." *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) ("[L]egislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States."); *see also F. Hoffmann-La Roche Ltd v. Empagran S.A.*, 542 U.S. 155, 164 (2004) ("[T]his Court ordinarily construes ambiguous statutes to avoid unreasonable interference with the sovereign authority of other nations." (citations omitted)). Congress' enactment of section 271(f) shows an intent to affect activity *directed at* foreign lands, but not an intent to affect acts *on* foreign lands. Congress focused the statute on the *domestic* act of "supplying" components to a foreign country for combination or assembly. 35 U.S.C. § 271(f).

Congress, thus, carefully avoided the imposition of liability for acts that take place on foreign soil (e.g., foreign manufacture or copying of components). *See Waymark Corp. v. Porta Sys. Corp.*, 245 F.3d 1364, 1367-68 (Fed. Cir. 2001) (holding section 271(f)(2) did not require actual assembly of the components because that "requirement would both raise the difficult obstacle of proving infringement in foreign countries and pose the appearance of giving extraterritorial effect to United States patent protection" (quotations omitted)). In extending the statute to cover copying of software on foreign soil, the Federal

Circuit's interpretation fails to avoid the extraterritorial application of United States laws.[10]

C. The Federal Circuit incorrectly extended section 271(f) beyond its text to accommodate special characteristics of software technology

The Federal Circuit's interpretation of "supplies or causes to be supplied in or from the United States" is mistaken. The court erroneously focused on software as a unique technology and gave underdeveloped policy concerns too central a role. In doing so, the court lost sight of the text of the statute.

The Federal Circuit inappropriately interpreted section 271(f) with specific reference to software. Starting with its analysis of the "ordinary meaning" of "supplying" the Federal Circuit focused on its view of the "way software is typically 'supplied.'" *AT&T*, 414 F.3d at 1369. According to the Federal Circuit, "'supplying' software commonly involves generating a copy . . . . Copying, therefore, is part

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[10] *See AT&T*, 414 F.3d at 1373 (Rader, J. dissenting) ("[The majority] extends § 271(f) to cover extraterritorial copying in [foreign countries]. This extraterritorial expansion of U.S. patent law contravenes the precedent of [the Federal Circuit] and the Supreme Court that expressly confines the rights conferred by Title 35 to the United States and its Territories." (citing cases)).

and parcel of software distribution."[11] *Id.* at 1370; *see also id.* ("[F]or software 'components,' the act of copying is subsumed within the act of 'supplying,' such that sending a single copy abroad with the intent that it be replicated invokes § 271(f) liability for those foreign-made copies."). Thus, from the outset of its inquiry the Federal Circuit assumed the "ordinary, contemporary, common meaning" of "supplied" must encompass the copying of software. *See id.* at 1369-70. The Federal Circuit ignored the ordinary meaning of the term by giving it a special meaning as applied to software. Such an approach is improper for a statute of general applicability. Under the Federal Circuit's approach, the "ordinary meaning" of "supply" differs for each technology – for some it encompasses foreign manufacture or copying, presumably for others it does not.

Indeed the Federal Circuit acknowledged the difference between supplying and copying software, and acknowledged that it extended the reach of the statute beyond its text. The Federal Circuit stated that the copies had "*essentially been* supplied from the United States," because "one can *supply* only a single disk that may be replicated . . . instead of *supplying* a separate disk for each copy of the software to be

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[11] Even if it is true that "supplying" of software "commonly involves generating a copy," it simply does not hold that "supplying" must encompass the conduct at issue. Of course one supplies additional units of software by making copies – the alternative is rewriting the program on a different medium every time one wishes to supply an additional unit of software. For example, one could say the supplying of 100 units of software "involves generating a copy" where a company makes 100 copies of the software and then supplies those 100 copies to the retailer. That conduct fits with the ordinary meaning of "supply" as argued *supra*. The issue here is whether one who provides only a single unit of software can be held to have supplied an infinite number of units of software, merely because the software can be replicated.

sold abroad." *AT&T*, 414 F.3d at 1370 (emphasis added). The Federal Circuit thus did not state that Microsoft *supplied* the copies made from its exported golden master disk.[12] Rather, the Federal Circuit determined that Microsoft's conduct was so similar to supplying that it must fall within the statute. The Federal Circuit reasoned that, because software is *easier* to copy than a part of a machine, section 271(f) must encompass that copying. However, the ease of copying of the particular "component[]" is not a principled basis for extending the statute and for imposing potentially enormous liability upon software companies.

The Federal Circuit believed its interpretation furthered its view of "Congress's motivation for enacting § 271(f)." *Id.* at 1371; *see also, e.g., id.* at 1370 n.2 (stating that adoption of a narrow construction of "supplies" "would emasculate § 271(f) for software inventions"). This approach was misguided. The "task here is not to determine what would further Congress's goal [in enacting the statute], but to determine what the words of the statute must fairly be understood to mean." *Holmes Group.*, 535 U.S. at 833 (interpreting 28 U.S.C. §§ 1295(a)(1) and 1338 in line with their text, where the congressional intent compelled a different result). The Federal Circuit's approach ignored the text in an effort to effectuate its view of Congress's goal in enacting the statute. In doing so, the Federal Circuit stepped outside of the proper role of a court.

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[12] The same holds for Microsoft's electronic transmissions to computers in foreign countries. The medium of exportation is not relevant to liability under section 271(f). In addition, the downloading of electronically transmitted software from a foreign computer to other foreign computers is tantamount to the copying of software stored on a disk.

Moreover, in its attempt to further the perceived purpose of section 271(f), the Federal Circuit ignored other policy considerations. Under the Federal Circuit's interpretation of section 271(f), once a company creates software in the United States, it could not send the software to a foreign country for replication without potentially incurring liability for infringement of a United States patent. This would create a strong incentive for software companies to relocate development facilities – and jobs – outside of the United States.

CONCLUSION

For the foregoing reasons this Court should hold that 1) software can be a "component[] of a patented invention" and 2) that copies of software made in a foreign country are not "supplied in or from the United States."

Respectfully submitted,

Judith M. Saffer, President
AMERICAN INTELLECTUAL
PROPERTY LAW
ASSOCIATION
241 18th Street, South
Suite 700
Arlington, Virginia 22202
(703) 415-0780

Joseph R. Re
Counsel of Record
Irfan A. Lateef
KNOBBE, MARTENS,
OLSON & BEAR, L.L.P.
2040 Main St., 14th Fl.
Irvine, California 92614
(949) 760-0404

Counsel for Amicus Curiae

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